

EXHIBIT DE

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Custodia BSA/AML and OFAC Program Assessment

Summary and Remediation Progress Report

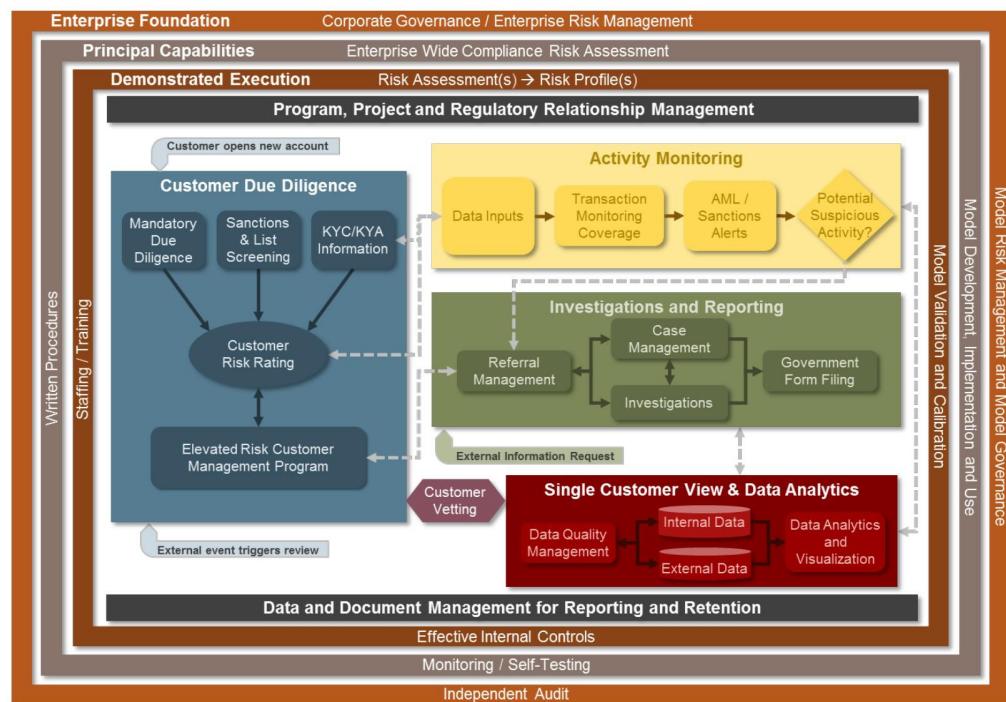
October 4, 2022

BSA/AML and OFAC Program Assessment: Approach

BSA/AML and OFAC Program Assessment Approach

The BSA/AML program assessment is designed to measure the maturity of an organization's BSA/AML program and identify opportunities to gain in both design and operational enhancements of the overall BSA/AML and OFAC program.

The approach executed during the program assessment included a review and assessment of the design of the program, as Custodia was not operational on the date of review. All observations and recommendations are focused on the effectiveness of the program design and development aspects.



BSA/AML and OFAC Program Assessment: Progress Tracker

The BSA/AML and OFAC program assessment of Custodia's current state program (as of 8/9/22) included observations with seventy-five (75) aligning remediation activities recommended for the Bank to **implement a sustainable BSA/AML and OFAC program.** (33 remediated in August, 19 remediated in September)

As of 10/4/2022, **remediation activities have been completed or partially completed to support go-live.**

Aligned to the CLAMP framework, recommendations are grouped by operational component:

- Enterprise Foundation (14)
- Principal Capabilities (22)
- Demonstrated Execution (6)
- Risk Based Customer Due Diligence (12)
- Suspicious Activity Monitoring (7)
- Investigations and Reporting (10)
- Data and Document Management (2)
- Single View of the Customer (2)

Remediation Status (as of 10/4/2022)	Next Steps	Count of Remediations	% of Remediations
Observation Remediated	None.	52	70%
Observations Partially Remediated*	Five (5) of ten to be completed by 10/31. Five (5) of ten to be completed after initial five (5) external customer onboarding.	10	13%
Observations To Be Remediated Post 5 External Customer On-Boarding*	All to be completed after initial five (5) external customer onboarding.	13	17%

Additional context is provided within slides six through twenty-two.

**Remaining open recommendations should all be closed or have a targeted plan prior to allowing additional customers to be on-boarded beyond the five (5) external known customers.*



BSA/AML and OFAC Program Assessment: Remaining Activities

Remaining remediation activities are critical to the sustained success of Custodia's program.

Remediation Status	Key Focus Points Remaining
Observations Partially Remediated (10): <i>Five (5) of ten to be completed by 10/31.</i> <i>Five (5) of ten to be completed after initial external customer onboarding.</i>	<ul style="list-style-type: none"> ▪ Model Risk Management (3 of 10): <ul style="list-style-type: none"> ◦ MRM Governance; Procedures; System Integration Data Mapping ▪ Quality Control Procedures (6 of 10): <ul style="list-style-type: none"> ◦ QA / QC Policies, Self-Testing, Transaction Monitoring QC, SAR Filing ▪ Monitoring / Key Metrics (1 of 10): <ul style="list-style-type: none"> ◦ Risk metrics and tolerances for transaction monitoring <p><i>Note: Each of these items have in-process documentation that will allow for coverage and support of operations as the Bank initiates very limited 'pilot' operations. These items are recommended to be enhanced and documented prior to an increased customer and/or product and service population.</i></p>
Observations To Be Remediated Post 5 External Customer On-Boarding: <i>To be completed after five (5) initial external customer onboarding.</i>	<ul style="list-style-type: none"> ▪ Model Risk Management (7 of 13): <ul style="list-style-type: none"> ◦ MRM Governance; Calibration policy and procedures, Record retention and disposal documentation and testing ▪ Staffing (2 of 13): <ul style="list-style-type: none"> ◦ Strategic staffing / planning ▪ Coverage Assessment (4 of 13): <ul style="list-style-type: none"> ◦ Determine / document proper and complete coverage across BSA/AML and OFAC models

BSA/AML and OFAC Program Assessment: Support Activities

In support of Custodia's objectives, our teams have collaborated to aggressively progress the overall program.

Our continued approach when working with Custodia is rooted in our proven BSA/AML and OFAC program development strategies, consistently evolving to support our clients. Our evolution is supported by our ability to leverage insights shared by our BSA/AML and OFAC audit and validation teams who conduct services for 100+ financial services entities annually, inclusive of Banks, Credit Unions, Fintechs (inclusive of crypto native entities) and Money Transmitters.

Completed Activities

- Corporate Governance
- Policy and Procedure Development
- BSA/AML and OFAC Risk Assessment
- Customer Due Diligence (CDD) Model Development
- High Risk Customer Management
- Transaction Monitoring Investigations and Reporting
- FinCEN and Government Reporting
- Regulatory Guidance and Remediation

Upcoming Activities

- Build out of complete Model Risk Management documentation (supporting MRM validation requirements)
- Enhancement of current state design documentation and alignment to operational activities
- CDD, TM and OFAC model enhancements aligned to an increasing customer and product population



BSA/AML and OFAC Program Assessment Progress

By CLAMP Component

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BSA/AML and OFAC Program Assessment: Summary Results

An **Enterprise Foundation** determines an organization's ability to respond to changes in both the business and regulatory environment. This foundation is not focused exclusively on BSA/AML and OFAC related capabilities but contains the necessary elements on which a successful program is built. The foundation consists of four components that have board visibility and approval: Corporate Governance/Enterprise Risk Management; Program Management; Independent Audit and Policies.

Enterprise Foundation	Assessment Result	Observations
Corporate Governance	Partial Coverage	<ul style="list-style-type: none"> Confirm within the procedures that upon departure of the BSA officer, if an interim BSA officer is necessary or a new BSA officer is hired, the Board of Directors is notified prior.
Model Risk Management & Model Governance	Partial Coverage	<ul style="list-style-type: none"> As the model is implemented and customized, the configuration and implementation process must be documented. The Bank should be involved in the Model Risk Management process/procedures.
Independent Audit	Full Coverage	<ul style="list-style-type: none"> None
Policies	Partial Coverage	<ul style="list-style-type: none"> Many policies need to be developed or enhanced.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Enterprise Foundation**; summary of progress.*

Enterprise Foundation	Assessment Result	Number of Observations	Remediation Progress
Corporate Governance	Partial Coverage	• 1	• Remediated; 1
Model Risk Management & Model Governance	Partial Coverage	• 2	• Partially Remediated; 1 • Outstanding; 1
Policies	Partial Coverage	• 11	• Remediated; 9 • Partially Remediated; 2

Items of Note:

- The one 'Outstanding' observations have been reviewed and are items the Bank will address post go-live.
- Of the three 'Partially Remediated' observations, two are directly aligned to model risk management which the Bank will complete post go-live. The remaining item is aligned to self-testing which is in-process and the Bank's limited launch process will allow further buildout of these policies.

BSA/AML and OFAC Program Assessment: Summary Results

The **Principal Capabilities** of an organization can be described as the areas that establish the backbone of an organization's BSA/AML and OFAC program. Our review assess the coverage and adequacy of: *Enterprise-Wide Compliance Risk Assessment, Monitoring and Self-Testing; and Written Procedures*.

Principal Capabilities	Assessment Result	Observations
Enterprise-Wide Risk Compliance Risk Assessment	Partial Coverage	<ul style="list-style-type: none"> The risk assessment does not break out BSA/AML/OFAC topics into granular regulation specific line items. Develop a BSA/AML/OFAC risk assessment methodology.
Model Development, Implementation, and Use	No Coverage	<ul style="list-style-type: none"> Develop Model Documentation as the Bank configures and implements the model.
Monitoring / Self Testing	No Coverage	<ul style="list-style-type: none"> Document and conduct quality assurance self-testing to confirm that the program's processes are occurring correctly.
Written Procedures	Partial Coverage	<ul style="list-style-type: none"> Topics are not documented in a procedural format: Model Risk Management, Model Governance, Model Validation and Calibration, Enhanced Due Diligence, Risk Rating Procedures, Risk Assessment Methodology, BSA/AML Risk Assessment High-Risk Customer Management and Monitoring and Compliance Testing Policies/procedures/processes do not sufficiently detail how the operational processes will be executed: Model Risk Management, Model Governance, Model Validation and Calibration, Enhanced Due Diligence, Risk Rating Procedures, Risk Assessment Methodology, BSA/AML Risk Assessment High-Risk Customer Management and Monitoring and Compliance Testing

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Principal Capabilities**; summary of progress.*

Principal Capabilities	Assessment Result	Number of Observations	Remediation Progress
Enterprise-Wide Risk Compliance Risk Assessment	Partial Coverage	• 4	• Remediated; 4
Model Development, Implementation, and Use	No Coverage	• 1	• Outstanding; 1
Monitoring / Self Testing	No Coverage	• 1	• Partially Remediated; 1
Written Procedures	Partial Coverage	• 16	• Remediated; 11 • Partially Remediated; 3 • Outstanding; 2

Items of Note:

- The three 'Outstanding' observations have been reviewed and are items the Bank will address post go-live.
- The three 'Partially Remediated' observations are currently in progress and are aligned to sustainable testing, SAR filing procedures and model validation procedures. Each of these will be able to be expanded as Custodia works with the initial (limited) customer base.

BSA/AML and OFAC Program Assessment: Summary Results

*The **Demonstrated Execution** of the BSA/AML and OFAC program should capture the ability to execute on the plan and organizational components that are designed. A well-developed risk assessment will assist in identifying Custodia's BSA/AML risk profile. A repeatable methodology for validation and calibration of BSA/AML and OFAC models. BSA/AML and OFAC unit staffing should be sufficient to address operational responsibilities.*

Demonstrated Execution	Assessment Results	Observations
Risk Assessment(s) / Risk Profile(s)	Partial Coverage	<ul style="list-style-type: none"> The Bank has not determined their risk tolerance. The Enterprise Risk Management Committee has not yet been formalized.
Model Validation and Calibration	No Coverage	<ul style="list-style-type: none"> The Bank does not have model validation or calibration procedures in place.
Training/Staffing	Partial Coverage	<ul style="list-style-type: none"> Minor procedural enhancements. The BSA Team, currently consisting of a CCO and Compliance analyst who has responsibility across Compliance functions. This may increase BSA program risk, considering the areas that are in development in conjunction with the upcoming daily operational requirements, such as alerts, Enhanced Due Diligence reviews and continuous model governance.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Demonstrated Execution**; summary of progress.*

Demonstrated Execution	Assessment Results	Number of Observations	Remediation Progress
Risk Assessment(s) / Risk Profile(s)	Partial Coverage	• 2	• Remediated; 2
Model Validation and Calibration	No Coverage	• 1	• Outstanding; 1
Training/Staffing	Partial Coverage	• 3	• Remediated; 2 • Outstanding; 1

Items of Note:

- The two 'Outstanding' observations are reasonably completed post go-live and align to a staffing assessment (limited current staff) and Model Validation activities.

BSA/AML and OFAC Program Assessment: Summary Results

A well-developed **Risk Based Customer Due Diligence program (RBCDD)** will assist Custodia in accurately identifying and managing high-risk accounts. The program should encompass an enterprise-wide Customer Identification Program (CIP) policy outlining effective mandatory due diligence, Know Your Customer (KYC) and Know Your Account (KYA) procedures that allow for information gathering and validation at account opening across all channels and lines of business.

RBCDD	Assessment Results	Observations
Mandatory Due Diligence	Partial Coverage	<ul style="list-style-type: none"> Middesk and Socure are in the implementation phases and thus do not have documentation currently.
Model Development, Implementation, and Use	Partial Coverage	<ul style="list-style-type: none"> A formalized, documented process pertaining to the periodic reviews or enhanced due diligence of customers does not exist. The Bank has not documented the process of denying a customer due to their risk profile being outside of the Bank's risk tolerance.
Customer Risk Rating	No Coverage	<ul style="list-style-type: none"> A formalized, documented process pertaining to the customer risk rating process does not exist.
KYC / KYA Information	Partial Coverage	<ul style="list-style-type: none"> Operationalize the verification platforms and complete testing to confirm verification is occurring completely, accurately, and in alignment with Bank expectations.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Risk Based Customer Due Diligence (RBCDD)**; summary of progress.*

RBCDD	Assessment Results	Number of Observations	Remediation Progress
Mandatory Due Diligence	Partial Coverage	• 5	• Remediated; 2 • Outstanding; 3
Elevated Risk Customer Management Program	Partial Coverage	• 4	• Remediated; 4
Customer Risk Rating	No Coverage	• 1	• Remediated; 1
KYC / KYA Information	Partial Coverage	• 1	• Remediated; 1

Items of Note:

- The three 'Outstanding' observations are aligned to conducting coverage assessments of the OFAC screening solution and the customer risk rating solution. Given the very limited customer base, mitigating controls for these activities in a more manual nature are acceptable.

BSA/AML and OFAC Program Assessment: Summary Results

Suspicious Activity Monitoring is a major component of an institution's ability to determine whether the account transaction activity of its customers would be considered usual activity. This is often based on industry expectations, customers' own prior history, or typical patterns recognized to be potentially indicative of money laundering or terrorist financing.

Suspicious Activity Monitoring	Assessment Results	Observations
Transaction Risk Rating & Prioritization	No Coverage	<ul style="list-style-type: none"> Risk Rating Procedures, metrics or tolerances are not yet developed.
Transaction Monitoring	Partial Coverage	<ul style="list-style-type: none"> Conduct a Transformation Monitoring Coverage Assessment to understand what rules and scenarios are in place and confirm that there is adequate coverage.
Alerts	Partial Coverage	<ul style="list-style-type: none"> Alert review and case management processes are not documented. A quality control process for alert review has not been developed or documented.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Suspicious Activity Monitoring**; summary of progress.*

Suspicious Activity Monitoring	Assessment Results	Number of Observations	Remediation Progress
Transaction Risk Rating & Prioritization	No Coverage	• 2	<ul style="list-style-type: none"> • Remediated; 1 • Partially Remediated; 1
Transaction Monitoring	Partial Coverage	• 3	<ul style="list-style-type: none"> • Remediated; 2 • Outstanding; 1
Alerts	Partial Coverage	• 3	• Remediated; 3

Items of Note:

- The one 'Outstanding' observations is aligned to a coverage assessment for the transaction monitoring risk. Given the very limited customer base, mitigating controls for these activities in a more manual nature are acceptable.
- The one 'Partially Remediated' observation is the development of key transaction monitoring key metrics. As Custodia begins operations, these key metrics should continue to be built out.

BSA/AML and OFAC Program Assessment: Summary Results

The **Investigations and Reporting** process feeds directly from suspicious activity monitoring as well as other referrals that are generated throughout Custodia. To support a regulatory sound investigation and reporting process the institution needs to consider the following: *Referral Management; Case Management; Investigations process as well as SAR filing.*

Investigation and Reporting	Assessment Results	Observations
Referral Management	Partial Coverage	<ul style="list-style-type: none"> Clarify the “Secure SAR file” location and details within the documentation.
Case Management	Partial Coverage	<ul style="list-style-type: none"> Document the alert generation and review process in relation to the system during the system development and configuration stage. Document the responsible party for alert assignments and the processes for prioritization and dual review.
Investigations	No Coverage	<ul style="list-style-type: none"> Build out and document a quality control process for the case investigation process.
Government Form Filing (SAR filing)	Partial Coverage	<ul style="list-style-type: none"> The SAR Filing Procedures do not outline how long the BSA Officer and Chief Compliance Officer monitor the account of which had a SAR filed for suspicious activity.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Investigations and Reporting**; summary of progress.*

Investigation and Reporting	Assessment Results	Number of Observations	Remediation Progress
Referral Management	Partial Coverage	• 1	• Remediated; 1
Case Management	Partial Coverage	• 4	• Remediated; 4
Investigations	No Coverage	• 3	• Remediated; 2 • Partially Remediated; 1
Government Form Filing (SAR filing)	Partial Coverage	• 2	• Remediated; 2

Items of Note:

- The one ‘Partially Remediated’ observation is the need to continue to build out the investigations quality control process(s). As Custodia begins operations, these key metrics should continue to be built out.

BSA/AML and OFAC Program Assessment: Summary Results

*Underlying all components of a BSA/AML program is effective **Data and Document Management**. This must provide guidance to those who implement and execute the functions of the program. Additionally, CIP and other mandates require that documents and history be maintained. This includes the ability to not just back-up, but to archive information so that it is able to be retrieved in a timely manner and organized as required by the specific situation.*

Data and Document Management	Assessment Results	Observations
Record Retention and Reporting	No Coverage	<ul style="list-style-type: none">Conduct testing to confirm that all records are retained within the system and the settings are properly configured to retain records for the required amount of time.Document the process of disposing of records once the required timeframe concludes.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Data and Document Management**; summary of progress.*

Data and Document Management	Assessment Results	Number of Observations	Remediation Progress
Record Retention and Reporting	No Coverage	• 2	• Outstanding; 2

Items of Note:

- The two 'Outstanding' observations are aligned to record retention and record disposal. As Custodia begins operations, each of these should be thoroughly documented prior to additional customer onboarding.

BSA/AML and OFAC Program Assessment: Summary Results

A **Single Customer View** which provides access to all related customer due diligence and money laundering activities reduces effort and improves the ability to maintain a current understanding of the risks presented by Custodia. This competency is indicative of a fully mature and advanced BSA/AML and OFAC program.

Note: This is an assessment of maturity and is not a regulatory requirement.

Single Customer View	Assessment Results	Observations
Customer Relationships	No Coverage	<ul style="list-style-type: none">• Document the system integration and ingestion process and cadence for each model.• Complete testing to confirm that the ingestion process is functioning as designed.

BSA/AML and OFAC Program Assessment: Remediation Progress

*Remediation activities aligning to **Single Customer View**; summary of progress.*

Single Customer View	Assessment Results	Number of Observations	Remediation Progress
Customer Relationships	No Coverage	• 2	<ul style="list-style-type: none">• Remediated; 1• Partially Remediated; 1

Items of Note:

- The one 'Partially Remediated' is aligned to the data mapping documentation. This should include all data feeds into the Foundry system, inclusive of the source of the information and any transforms performed upon the data before loading. The Bank has completed system flow diagrams, for which the supporting data flows will be developed.